111TH CONGRESS 1ST SESSION

S. 1307

To amend part C of title XVIII of the Social Security Act with respect to Medicare special needs plans and the alignment of Medicare and Medicaid for dually eligible individuals, and for other purposes.

IN THE SENATE OF THE UNITED STATES

June 19, 2009

Mr. Feingold (for himself and Ms. Klobuchar) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend part C of title XVIII of the Social Security Act with respect to Medicare special needs plans and the alignment of Medicare and Medicaid for dually eligible individuals, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.
- 4 (a) Short Title.—This Act may be cited as the
- 5 "Medicare Specialty Care Improvement and Protection
- 6 Act of 2009".
- 7 (b) Table of Contents.—The table of contents of
- 8 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Extension of SNP authority.
- Sec. 3. Improve risk adjustment for high-risk, high-cost beneficiaries.
- Sec. 4. Additional enhancements to ensure payment equity for specialized MA plans.
- Sec. 5. Advance alignment of Medicare and Medicaid for dual eligibles.
- Sec. 6. Medicaid presumptive eligibility option.
- Sec. 7. Extension of prescription drug discounts to enrollees of Medicaid managed care organizations.
- Sec. 8. Definitions.

1 SEC. 2. EXTENSION OF SNP AUTHORITY.

- Section 1859(f)(1) of the Social Security Act (42)
- 3 U.S.C. 1395w-28(f)(1)), as amended by section 164(a) of
- 4 the Medicare Improvements for Patients and Providers
- 5 Act of 2008 (Public Law 110–275), is amended—
- 6 (1) by striking "2011" and inserting "2014";
- 7 and
- 8 (2) by adding at the end the following new sen-
- 9 tence: "In the case of a specialized MA plan for spe-
- 10 cial needs individuals that is designated as a Fully
- 11 Integrated Dual Eligible Special Needs Plan under
- section 5(a)(1) of the Medicare Specialty Care Im-
- provement and Protection Act of 2009, the pre-
- 14 ceding sentence shall be applied by substituting
- 15 '2016' for '2014'.''.

16 SEC. 3. IMPROVE RISK ADJUSTMENT FOR HIGH-RISK, HIGH-

- 17 COST BENEFICIARIES.
- 18 (a) EVALUATION.—
- 19 (1) In General.—The Secretary shall evaluate
- the Medicare Advantage risk adjustment payment

1	mechanism under section 1853(a)(1)(C) of the So-
2	cial Security Act (42 U.S.C. 1395w-23(a)(1)(C))
3	and the risk adjustment payment mechanism under
4	section $1860D-15(e)(1)(A)$ of such Act (42 U.S.C.
5	1395w-115(c)(1)(A)) in order to resolve plan pay-
6	ment inequities relative to Medicare fee-for-service
7	payments for beneficiaries identified under para-
8	graph (2).
9	(2) Requirements.—The evaluation conducted
10	under paragraph (1) shall address the need for im-
11	proving the adequacy of the existing hierarchical
12	condition categories and pharmacy risk adjustment
13	methods for Medicare Advantage plans that exclu-
14	sively or disproportionately serve high-risk bene-
15	ficiaries as it relates to—
16	(A) accurately predicting costs relative to
17	Medicare fee-for-service for beneficiaries with—
18	(i) sustained high-risk scores over
19	multiple contract periods;
20	(ii) sustained high costs over multiple
21	contract periods;
22	(iii) co-morbid chronic conditions;
23	(iv) diagnoses not included in the risk-
24	adjustment methodology, including demen-
25	tia and other cognitive impairments;

1	(v) physical disabilities, developmental
2	disabilities, or both; and
3	(vi) frailty;
4	(B) accurately predicting costs relative to
5	Medicare fee-for-service for beneficiaries near
6	the end of life;
7	(C) accurately predicting costs relative to
8	Medicare fee-for-service for other conditions for
9	which the current risk adjustment methodology
10	underpays in relation to Medicare fee-for-serv-
11	ice, as determined by the Secretary;
12	(D) further gradations of diseases and con-
13	ditions to better reflect stage of condition, con-
14	dition severity, and costs related to burden of
15	illness;
16	(E) accounting for costs of pre-existing
17	conditions at the time of initial enrollment for
18	new entrants into Medicare; and
19	(F) enhancing coding persistency by calcu-
20	lating risk scores using data covering at least 2
21	years.
22	(b) Use of the Results of the Study for Re-
23	FINEMENTS.—
24	(1) Refinements.—

- (A) IN GENERAL.—Beginning with plan year 2011, the Secretary, using the results of evaluation conducted under subsection the (a)(1), shall refine the risk adjustment payment mechanisms referred to in subsection (a)(1) for beneficiaries identified under subsection (a)(2). The Secretary shall make additional refine-ments, as appropriate, for subsequent plan years.
 - (B) PROTECTION.—To the extent that the Secretary determines that the risk adjustment payment mechanisms referred to in subsection (a)(1) do not accurately pay for Medicare beneficiaries identified under subsection (a)(2), the Secretary shall ensure that a Medicare Advantage plan that exclusively or disproportionately serves high-risk beneficiaries is not paid less, in the aggregate, than 100 percent of Medicare fee-for-service payment rates (as determined under section 1853(c)(1)(D)(i)).
 - (C) Recalibration.—Beginning with plan year 2011, the Secretary shall recalibrate the risk adjustment payment mechanisms referred to in subsection (a)(1) so that the overall predicted costs for all Medicare beneficiaries are

- 1 identical to what they would have been in the 2 absence of the new risk adjustment payment 3 mechanism.
- (2) Budget neutral adjustments.—If the 5 Secretary determines that the application of para-6 graph (1) results in expenditures under title XVIII 7 of the Social Security Act that exceed the expendi-8 tures under such title that would have been made 9 without such application, the Secretary shall provide 10 for an appropriate adjustment to payment rates 11 under part C of such title for beneficiaries for whom 12 the risk adjustment payment mechanism overpays in 13 relation to Medicare fee-for-service in order to elimi-14 nate such excess.

SEC. 4. ADDITIONAL ENHANCEMENTS TO ENSURE PAY-15 16

MENT EQUITY FOR SPECIALIZED MA PLANS.

- 17 (a) ACCOUNTING FOR ADDED REGULATORY
- 18 Costs.—For plan year 2011 and subsequent plan years,
- 19 the Secretary shall provide bonus payments to account for
- 20 added SNP costs associated with additional benefit, care
- 21 management, reporting, and other requirements estab-
- lished by Congress and the Secretary in excess of other
- 23 Medicare Advantage plans.
- 24 (b) Ensuring Fair Bidding Practices.—For plan
- year 2011 and subsequent plan years, the Secretary shall

- 1 take into account the following factors with respect to the
- 2 bid structure for SNPs:
- 3 (1) Dual eligibility.
- 4 (2) Geographic cost differences.
- 5 (3) Population characteristics.
- 6 (4) The differences in plan requirements, in-
- 7 cluding differences in additional benefits, care man-
- 8 agement, and reporting requirements.
- 9 (5) The differences between community-based
- and regional or nationally based plans.
- 11 (c) AUTHORITY TO APPLY PACE RULES.—For plan
- 12 year 2011 and subsequent plan years, the Secretary may
- 13 apply the payment rules under section 1894(d) of the So-
- 14 cial Security Act (42 U.S.C. 1395eee(d)) to Fully Inte-
- 15 grated Dual Eligible Special Needs Plans rather than the
- 16 payment rules that would otherwise apply to such plans
- 17 under part C.
- 18 (d) Budget Neutral Adjustments.—If the Sec-
- 19 retary determines that the application of subsections (a),
- 20 (b), and (c) result in expenditures under title XVIII of
- 21 the Social Security Act that exceed the expenditures under
- 22 such title that would have been made without such appli-
- 23 cation, the Secretary shall provide for an appropriate ad-
- 24 justment to payment rates under part C of such title for
- 25 beneficiaries for whom the risk adjustment payment mech-

1	anism overpays in relation to Medicare fee-for-service in
2	order to eliminate such excess.
3	SEC. 5. ADVANCE ALIGNMENT OF MEDICARE AND MEDICARE
4	ICAID FOR DUAL ELIGIBLES.
5	(a) Medicare and Medicaid Integration Pro-
6	GRAMS.—
7	(1) Designation.—
8	(A) In general.—For plan year 2011
9	and subsequent plan years, the Secretary shall
10	have in place a process under which the Sec-
11	retary designates dual eligible SNPs as Fully
12	Integrated Dual Eligible Special Needs Plans
13	for the purpose of advancing fully integrated
14	Medicare and Medicaid benefits and services for
15	dual beneficiaries, including State designated
16	Dual subsets.
17	(B) Criteria for designation.—In
18	order to be designated as a Fully Integrated
19	Dual Eligible Special Needs Plan, the dual eli-
20	gible SNP shall meet the following require-
21	ments:
22	(i) The dual eligible SNP provides
23	dual eligibles with access to Medicare and
24	Medicaid benefits specified by the State for
25	Medicaid beneficiaries enrolled in inte-

1	grated programs under a single managed
2	care organization (MCO).
3	(ii) The dual eligible SNP has a con-
4	tract in place with a State Medicaid agency
5	that includes coverage of specified primary,
6	acute, and long-term care benefits and
7	services, consistent with State policy,
8	under risk-based financing.
9	(iii) The dual eligible SNP coordinates
10	the delivery of covered Medicare and Med-
11	icaid health and long-term care services,
12	consistent with State policy, using aligned
13	care management and specialty care net-
14	work methods for high-risk beneficiaries.
15	(iv) The dual eligible SNP employs
16	policies and procedures approved by the
17	Secretary and the State to coordinate or
18	integrate enrollment, member materials,
19	communications, grievance and appeals,
20	and quality assurance.
21	(v) The dual eligible SNP provides ad-
22	vanced person-centered, integrated care for
23	the full array of primary, acute, and resi-
24	dential and home and community-based

1	long-term care services, using a robust ad-
2	vanced medical home model that—
3	(I) empowers dual eligibles with
4	serious chronic conditions and their
5	family caregivers to optimize their
6	health and well-being;
7	(II) provides a comprehensive
8	array of patient-centered benefits and
9	services designed to meet the unique
10	needs of dual eligibles;
11	(III) helps dual eligibles and
12	their family caregivers to access the
13	right care, at the right time, in the
14	right place, given the nature of their
15	condition;
16	(IV) aligns the incentives of re-
17	lated care providers to improve transi-
18	tions and care continuity; and
19	(V) optimizes total quality and
20	cost performance across time, place,
21	and profession.
22	(2) Integration authority.—In order to in-
23	crease simplicity for dual eligibles in accessing and
24	coordinating Medicare and Medicaid benefits, the
25	Secretary, working in conjunction with States, on a

1	State by State basis, consistent with existing statu-
2	tory authority, is encouraged to establish a single
3	administrative structure and process under titles
4	XVIII and XIX for Fully Integrated Dual Eligible
5	Special Needs Plans, under a three-way contract or
6	Memorandum of Understanding, among CMS, the
7	State, and related plans, for—
8	(A) the enrollment of dual eligibles;
9	(B) member materials and related commu-
10	nications;
11	(C) care management and model of care
12	requirements;
13	(D) reporting, auditing, and performance
14	evaluation;
15	(E) grievance and appeals procedures; and
16	(F) payment methods.
17	(3) Alignment of medicare and medicaid
18	POLICIES AND PROCEDURES FOR SNPS SERVING
19	DUAL ELIGIBLES.—In order to increase simplicity
20	for dual eligibles in accessing and coordinating
21	Medicare and Medicaid benefits by enhancing coordi-
22	nation between CMS and State Medicaid agencies in
23	the oversight of SNPs insofar as they serve dual eli-
24	gibles, the Secretary, working in collaboration with
25	State Medicaid agencies, may modify rules, policies.

and procedures under titles XVIII and XIX of such Act in order to provide for the alignment of Medicare and Medicaid requirements, including marketing, enrollment, care coordination, auditing, reporting, quality assurance, and other relevant oversight functions.

(4) Reports to congress.—

- (A) Interim report.—Not later than December 31, 2013, the Secretary shall submit to Congress an interim report on the impact of integrating Medicare and Medicaid benefits and services on total quality and cost performance in serving dual eligibles.
- (B) Final Report.—Not later than December 31, 2015, the Secretary shall submit to Congress a final report on the impact of integrating Medicare and Medicaid benefits and services on total quality and cost performance in serving dual eligibles.
- (C) REQUIREMENT.—A report under subparagraph (A) and (B) shall include recommendations for such legislative and administrative actions as the Secretary determines appropriate to further advance Medicare and Medicaid integration, including options for inte-

1	grating Medicare and Medicaid funding, to fa-
2	cilitate ongoing improvements in total quality
3	and cost performance in care of dual eligibles.
4	(D) QUALITY AND COST PERFORMANCE.—
5	Not later than 6 months after the date of the
6	enactment of this Act, the Secretary, working
7	in consultation with consumers, plans, and
8	States, shall identify the measures and bench-
9	marks to be used for evaluating cost and qual-
10	ity performance for purposes of subparagraph
11	(C).
12	(b) Office of Medicare/Medicaid Integra-
13	TION.—
14	(1) ESTABLISHMENT.—The Secretary shall es-
15	tablish or designate an Office on Medicare/Medicaid
16	Integration (in this subsection referred to as the
17	"Office") for the purpose of aligning Medicare and
18	Medicaid policies and procedures and developing
19	tools to support State integration efforts in order
20	to—
21	(A) simplify dual eligible access to Medi-
22	care and Medicaid benefits and services;
23	(B) improve care continuity and ensure
24	safe and effective care transitions;

1	(C) eliminate cost shifting between Medi-
2	care and Medicaid and among related care pro-
3	viders;
4	(D) eliminate regulatory conflicts between
5	Medicare and Medicaid rules; and
6	(E) improve total cost and quality per-
7	formance.
8	(2) Responsibilities.—The responsibilities of
9	the Office are to develop policies and procedures
10	to—
11	(A) oversee the designation, implementa-
12	tion, and oversight of Fully Integrated Dual El-
13	igible Special Needs Plans under subsection
14	(a)(1) in collaboration with the States, with au-
15	thority to effectively align Medicare and Med-
16	icaid policy for dual eligibles;
17	(B) provide State Medicaid agencies with
18	training, materials, technical assistance, and
19	other resources in support of advancing Medi-
20	care and Medicaid integration in States where
21	Fully Integrated Dual Eligible Special Needs
22	Plans have been designated and other integra-
23	tion initiatives are being advanced to coordinate
24	and align primary, acute, and long-term care

1	benefits for dual eligibles through a State plan
2	option or other means;
3	(C) identify incentives for States to ad-
4	vance the integration of Medicare and Medicaid
5	to improve total cost and quality performance,
6	including shared cost savings among consumers,
7	plans, and Federal and State governments with
8	respect to State initiatives for advancing Medi-
9	care and Medicaid integration;
10	(D) support State efforts to coordinate and
11	align acute and long-term care benefits for dual
12	eligibles through a State plan option or other
13	means;
14	(E) provide support for coordination of
15	State and Federal contracting and oversight for
16	dual integration programs supportive of the
17	goals described in paragraph (1);
18	(F) align Federal rules for Medicaid man-
19	aged care and Medicare Advantage Plans to in-
20	clude methods for integrating marketing, enroll-
21	ment, grievances and appeals, auditing, report-
22	ing, quality assurance, and other relevant over-
23	sight functions;
24	(G) serve as a liaison between CMS central
25	and regional offices to ensure consistent appli-

cation of CMS rules, policies, and auditing practices as such rules, policies, and auditing practices pertain to dual eligibles;

- (H) monitor total combined Medicare and Medicaid costs in serving dual eligibles and make recommendations for optimizing total quality and cost performance across both programs; and
- (I) work with the Congressional Budget Office and the Office of Management and Budget to establish a process for evaluating total Medicare and Medicaid spending for dual eligibles who are enrolled in Fully Integrated Dual Eligible Special Needs Plans such that the enrollment of such dual eligibles in such plans is treated as "budget neutral" if the combined Medicare and Medicaid costs under such plans do not exceed the combined costs of providing Medicare and Medicaid services on a fee-forservice basis for a comparable risk group.

(3) Funding from savings.—

(A) IN GENERAL.—For purposes of funding for the Office, there shall be made available for each of fiscal years 2010 through 2014,

- 1 \$2,000,000 from the savings described in sub-2 paragraph (B).
- 3 (B) SAVINGS.—The savings described in 4 this subparagraph are the average per capita 5 savings described in paragraphs (3)(C) and 6 (4)(C) of section 1854(b) for which monthly re-7 bates are provided under section 1854(b)(1)(C) 8 in the fiscal year involved.
- 9 (C) AVAILABILITY.—Funds made available 10 under this paragraph shall be transferred to the 11 Secretary from the Federal Hospital Insurance 12 Trust Fund under section 1817 of the Social 13 Security Act (42 U.S.C. 1395i) and the Federal 14 Supplementary Insurance Trust Fund under 15 section 1841 of such Act (42 U.S.C. 1395t) in 16 the proportion specified in section 1853(f) of 17 such Act (42 U.S.C. 1395w–23(f)).

18 SEC. 6. MEDICAID PRESUMPTIVE ELIGIBILITY OPTION.

- 19 (a) IN GENERAL.—Section 1902(e) of the Social Se-20 curity Act (42 U.S.C. 1396a(e)) is amended by adding at 21 the end the following:
- "(14) At the option of the State, the plan may provide for a period of presumptive eligibility for an individual who has attained age 65, who has 12 or more consecutive months of eligibility under this title, and who the State

1	has reason to believe will be determined to be a full-benefit
2	dual eligible individual (as defined in section 1935(c)(6)),
3	but only if the State—
4	"(A) agrees to randomly conducted eligibility
5	audits by the Secretary; and
6	"(B) ensures that any individual enrolled under
7	the State plan who is determined to be ineligible for
8	medical assistance as a result of such an audit (and
9	if such individual is enrolled in a specialized MA
10	plan for special needs individuals under part C of
11	title XVIII, ensures that the organization offering
12	such plan) is notified at least 30 days prior to the
13	date on which the individual is disenrolled from the
14	State plan.".
15	(b) Effective Date.—The amendment made by
16	subsection (a) takes effect on January 1, 2010.
17	SEC. 7. EXTENSION OF PRESCRIPTION DRUG DISCOUNTS
18	TO ENROLLEES OF MEDICAID MANAGED
19	CARE ORGANIZATIONS.
20	(a) In General.—Section 1903(m)(2)(A) of the So-
21	cial Security Act (42 U.S.C. 1396b(m)(2)(A)) is amend-
22	ed—
23	(1) in clause (xi), by striking "and" at the end
24	(2) in clause (xii), by striking the period at the

end and inserting "; and"; and

1	(3) by adding at the end the following:
2	"(xiii) such contract provides that (I)
3	payment for covered outpatient drugs dis-
4	pensed to individuals eligible for medical
5	assistance who are enrolled with the entity
6	shall be subject to the same rebate re-
7	quired by the agreement entered into
8	under section 1927 as the State is subject
9	to, and (II) capitation rates paid to the en-
10	tity shall be based on actual cost experi-
11	ence related to rebates and subject to the
12	Federal regulations requiring actuarially
13	sound rates.".
14	(b) Conforming Amendments.—Section 1927 of
15	the Social Security Act (42 U.S.C. 1396r–8) is amended—
16	(1) in subsection (d)—
17	(A) in paragraph (1), by adding at the end
18	the following:
19	"(C) Notwithstanding the subparagraphs
20	(A) and (B)—
21	"(i) a Medicaid managed care organi-
22	zation with a contract under section
23	1903(m) may exclude or otherwise restrict
24	coverage of a covered outpatient drug on
25	the basis of policies or practices of the or-

ganization, such as those affecting utilization management, formulary adherence, and cost sharing or dispute resolution, in lieu of any State policies or practices relating to the exclusion or restriction of coverage of such drugs, provided, however, that any such exclusions and restrictions of coverage shall be subject to any contractual requirements and oversight by the State as contained in the Medicaid managed care organization's contract with the State, and the State shall maintain approval authority over the formulary used by the Medicaid managed care organization; and

"(ii) nothing in this section or paragraph (2)(A)(xiii) of section 1903(m) shall be construed as requiring a Medicaid managed care organization with a contract under such section to maintain the same such policies and practices as those established by the State for purposes of individuals who receive medical assistance for covered outpatient drugs on a fee-for-service basis."; and

1	(B) in paragraph (4), by inserting after
2	subparagraph (E) the following:
3	"(F) Notwithstanding the preceding sub-
4	paragraphs of this paragraph, any formulary
5	established by Medicaid managed care organiza-
6	tion with a contract under section 1903(m) may
7	be based on positive inclusion of drugs selected
8	by a formulary committee consisting of physi-
9	cians, pharmacists, and other individuals with
10	appropriate clinical experience as long as drugs
11	excluded from the formulary are available
12	through prior authorization, as described in
13	paragraph (5)."; and
14	(2) in subsection (j), by striking paragraph (1)
15	and inserting the following:
16	"(1) Covered outpatients drugs are not subject
17	to the requirements of this section if such drugs
18	are—
19	"(A) dispensed by health maintenance or-
20	ganizations, including Medicaid managed care
21	organizations that contract under section
22	1903(m); and
23	"(B) subject to discounts under section
24	340B of the Public Health Service Act.".

- 1 (c) Reports.—Each State with a contract with a
- 2 Medicaid managed care organization under section
- 3 1903(m) of the Social Security Act (42 U.S.C. 1396b(m))
- 4 shall report to the Secretary on a quarterly basis the total
- 5 amount of rebates in dollars and volume received from
- 6 manufacturers (as defined in section 1927(k)(5) of such
- 7 Act (42 U.S.C. 1396r–8(k)(5)) for drugs provided to indi-
- 8 viduals enrolled with such an organization as a result of
- 9 the amendments made by this section for both brand-name
- 10 and generic drugs. The Secretary shall review the reports
- 11 submitted by States under this subsection and, after such
- 12 review, make publically available the aggregate data con-
- 13 tained in such reports.
- 14 (d) Effective Date.—This section and the amend-
- 15 ments made by this section take effect on the date of en-
- 16 actment of this Act and apply to rebate agreements en-
- 17 tered into or renewed under section 1927 of the Social
- 18 Security Act (42 U.S.C. 1396r-8) on or after such date.
- 19 SEC. 8. DEFINITIONS.
- 20 In this Act:
- 21 (1) CMS.—The term "CMS" means the Cen-
- ters for Medicare & Medicaid Services.
- 23 (2) Dual eligible.—The term "dual eligible"
- means an MA eligible individual (as defined in sec-
- tion 1851(a)(3) of the Social Security Act, 42

- U.S.C. 13195w-21(a)(3)) who is also entitled to
 medical assistance under a State plan under title
 XIX of the Social Security Act.
- 4 (3) DUAL ELIGIBLE SNP.—The term "dual eli-5 gible SNP" means a SNP described in section 6 1859(b)(6)(A)(ii) of the Social Security Act.
- 7 (4) MEDICAID.—The term "Medicaid" means 8 the program under title XIX of the Social Security 9 Act.
- 10 (5) MEDICARE.—The term "Medicare" means 11 the program under title XVIII of the Social Security 12 Act.
- 13 (6) MEDICARE FEE-FOR-SERVICE.—The term
 14 "Medicare fee-for-service" means the original Medi15 care fee-for-service program under parts A and B of
 16 title XVIII of the Social Security Act.
- 17 (7) SECRETARY.—The term "Secretary" means
 18 the Secretary of Health and Human Services.
- 19 (8) SNP.—The term "SNP" means a special-20 ized MA plan for special needs individuals, as de-21 fined in section 1859(b)(6)(A) of the Social Security 22 Act (42 U.S.C. 1395w-28(b)(6)(A)).

1	(9) State.—The term "State" has the mean-
2	ing given such term for purposes of title XIX of the
3	Social Security Act.

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